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C O N F I D E N T I A L SECTION 01 OF 03 KATHMANDU 000973

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SUBJECT: PEACE MINISTER'S DIALOGUE WITH MADHESIS STALLED

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

Summary

1. (C) Minister of Peace and Reconstruction Ram Chandra Poudel told the Ambassador May 15 that Madhesi insistence on the immediate formation of a high-level Commission of Inquiry into events in the Terai had delayed his scheduled dialogue with the Madhesi People's Rights Forum (MPRF). However, Poudel was optimistic that the Government of Nepal would be able to address many of the MPRF's and other marginalized groups' demands. Poudel, whose ministry took over the mandate of managing the Maoist People's Liberation Army cantonments from the Home Ministry at the beginning of April, lamented that the GON had already transferred over 1.1 billion Nepali rupees (approximately USD 17 million) to the Maoists for the camps with no required accounting. Poudel informed the Ambassador he had developed a holistic "Post Conflict Reconstruction and Integrated Development Plan" to address Nepal's post-conflict needs. The Peace Minister added that his Ministry would form a Truth and Reconciliation Commission, a high-level Joint Monitoring Commission, and a Committee for the Restructuring of the State (to look at issues of federalism) as dictated in the November 2006 Comprehensive Peace Agreement.

Preconditions Thwart Madhesi Dialogue

2. (C) Minister for Peace and Reconstruction Ram Chandra Poudel told the Ambassador May 15 that he had scheduled first individual meetings, and then a roundtable dialogue, with the agitating marginalized groups in the Terai (Nepal's southern borderlands with India). However, some of the groups were setting preconditions before they would meet and so the talks had been delayed. In particular, Madhesi People's Rights Forum (MPRF) leader Upendra Yadav was demanding a high-level Commission of Inquiry into the security incidents in the Terai during recent months. Poudel was optimistic that many of the marginalized groups' grievances, such as a new delineation of constituencies, could be addressed. The Peace and Reconstruction Minister said the Commission of Inquiry was being formed -- although with some debate over its membership. The biggest challenge, Poudel suggested, was to remedy the communication gap between the Government of Nepal

(GON) and the marginalized groups.

Maoists Insist on Compensation Before Verification

¶3. (C) The Ambassador emphasized to Poudel, whose Ministry was designated in April to take over the management of Maoist People's Liberation Army (PLA) cantonments from the Home Ministry, that Phase II of arms management, verification of combatants, had to begin immediately. Poudel reiterated what the Ambassador had heard in a meeting the same day with the Home Minister (septel): negotiations between the Prime Minister's (and Poudel's) Nepali Congress Party (NC) and Maoist Chief Pushpa Dahal (aka Prachanda) were holding up Phase II verification. The Maoists wanted monetary compensation for all 31,000 combatants in the camps, including minors and recent recruits who would be disqualified and compelled to leave the camps, before they would allow verification to take place. Meanwhile, Prime Minister Koirala and his NC negotiators demanded Maoists return seized land before the Government distributed any compensation to the combatants.

USD 15.4 Million to Maoists for "Combatants"

¶4. (C) The Ambassador told the Peace Minister that camp management was a key challenge for ensuring successful arms management. Poudel lamented that the GON had already transferred over 1.1 billion Nepali rupees (approximately USD 17 million) to the Maoists to take care of "combatants" in the camps. The Maoists had provided no accounting of their spending, Poudel said, and were demanding further assistance to build permanent dwellings. The Ambassador agreed that the

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lack of Maoist accountability for management of the camps was astounding. The Ambassador questioned whether the GON should be providing more assistance as the Maoists refused to move forward with verification; many assumed that over 15,000 of the registered combatants would be deemed ineligible to remain in the camps. The Maoists should first move forward with vetting, the Ambassador recommended, and then the GON could re-visit support to the combatants and reintegration packages for those who were deemed ineligible and expelled.

Poudel Develops Comprehensive Approach for Ministry

¶5. (C) Poudel informed the Ambassador that his Ministry had developed a "Post Conflict Reconstruction and Integrated Development Plan." The Peace and Reconstruction Minister emphasized that the plan took a holistic look at Nepal's post-conflict needs, including return and rehabilitation of internally displaced, cantonment management, truth and reconciliation and reconstruction of damaged infrastructure. By addressing the conflict's root causes, including social exclusion, under-development, and injustice, Poudel said he hoped to ensure sustainable stability. The Minister thanked the United States for its current assistance in these areas and requested continued U.S. funding. The Ambassador responded that Nepal would indeed find support for reconstruction and development from the international community. However, current security conditions, the Ambassador noted, did not allow Poudel to move forward with his Ministry's important work. Nepal was still dealing with a crisis of law and order across the country that, left unaddressed, would thwart the country's ability to proceed to reconstruction and reconciliation.

Peace Commissions To Be Formed

¶6. (C) As required by the November 2006 Comprehensive Peace Agreement, Poudel said his Ministry would form a Truth and Reconciliation Commission, a high-level Joint Monitoring

Commission to ensure adherence to peace agreement provisions, and a Committee for the Restructuring of the State (to look at issues of federalism). The Peace Minister stated that he had formed a task force to draft the necessary legislation for the Truth and Reconciliation Commission and was waiting for the parties to nominate members for the other commissions. There was much debate, Poudel stressed, regarding how Nepal would deal with issues of amnesty and justice. Some members of the international community were eager to see Nepal choose a truth and reconciliation process that resulted in judicial reckoning and others felt a conciliatory approach would be healthier for the peace process. The Ambassador emphasized that the process itself was paramount. While Nepal did not want to tear open old wounds, it would be crucial to organize a transparent process that allowed all groups to air past abuses and where the abusers genuinely sought forgiveness from their victims.

Instead of Dividing a Small Pie, Bake a Big One

17. (C) The Ambassador stressed to Poudel that Nepal's economic development would depend on the country joining a globalized world. Counter to recent Maoist propaganda which celebrated economic policies that shut out foreign investment, Nepal's had the potential to reap huge benefits from opening their markets. The Ambassador referenced China's economic dynamism as being driven by both exports and foreign investment. Nepal's resources, such as hydropower and tourism, if used in a transparent, equitable and responsible fashion, could spark economic growth and pull Nepal out of poverty. Instead of dividing a small pie, as Maoist philosophy dictated, why not bake a big one?

Comment

18. (C) Peace and Reconstruction Minister Poudel has an impressive array of responsibilities in his bailiwick. For him to move forward with many of them, Nepal's security

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situation must improve. Ensuring an inclusive dialogue with Nepal's marginalized groups will be key to moving the peace process forward. We will encourage the Government of Nepal to quickly meet any preconditions deemed reasonable for negotiations, including formation of a Commission of Inquiry on the Madhesi uprising, so a serious dialogue to address the increasingly chaotic situation in the Terai can start. Post will also continue to encourage Poudel and his Seven-Party Alliance colleagues in the GON to take a strong stand on beginning combatant verification and camp management. Maoist spending must be transparent and both the GON and the Maoists must give camp management the priority it deserves, particularly as the monsoon season approaches in June.
MORIARTY